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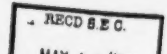


KG92-22601

FORM 10-Q

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 1992

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 0-14068

Memry Corporation
(Exact name of registrant as specified in its charter)

| Delaware | 06-1084424 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

57 Commerce Drive, Brookfield, Connecticut 06804
(Address of principal executive offices)
(Zip Code)

(203)-740-7311
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes __X__ No _____

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date. As of May 4, 1991, 20,087,757 shares of the registrant's common stock, par value $.01 per share, were issued and outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEET

MEMRY CORPORATION AND SUBSIDIARIES

| | March 31, 1992 Unaudited | June 30, 1991 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | $ 85,000 | $ 466,000 |
| Accounts receivable, less allowance of $27,000 and $67,000 | 953,000 | 1,016,000 |
| Inventories | 1,502,000 | 1,542,000 |
| Prepaid expenses and other | 221,000 | 133,000 |
| TOTAL CURRENT ASSETS | 2,761,000 | 3,157,000 |
| PROPERTY, PLANT AND EQUIPMENT, net | 1,803,000 | 2,096,000 |
| OTHER ASSETS | | |
| Non current inventories | 642,000 | 436,000 |
| Acquired technology, net of accumulated amortization of $244,000 and $152,000 | 361,000 | 453,000 |
| Patents, at cost, net of accumulated amortization of $41,000 and $37,000 | 16,000 | 20,000 |
| Deposits and sundry | 15,000 | 234,000 |
| | 1,034,000 | 1,143,000 |
| | $5,598,000 | $6,396,000 |

See notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET

MEMRY CORPORATION AND SUBSIDIARIES

| | March 31, 1992 Unaudited | June 30, 1991 |
|---|---|---|
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | $ 1,203,000 | $ 2,454,000 |
| Loan payable | 684,000 | 1,043,000 |
| Current portion of capital lease obligations and long-term debt | 155,000 | 155,000 |
| TOTAL CURRENT LIABILITIES | 2,042,000 | 3,652,000 |
| CAPITAL LEASE OBLIGATIONS, less current portion | 43,000 | 36,000 |
| LONG-TERM DEBT, less current portion | 2,591,000 | 2,632,000 |
| OTHER NON-CURRENT LIABILITIES | 269,000 | 26,000 |
| COMMITMENTS AND CONTINGENCIES-Note J | | |
| STOCKHOLDERS' EQUITY | | |
| Preferred stock $100 par value, authorized 100,000 shares | | |
| Series A, issued and outstanding 124 shares | 12,000 | 12,000 |
| Series B, issued and outstanding 250 shares | 25,000 | 25,000 |
| Series C, issued and outstanding 200 shares | 20,000 | |
| Series D, issued and outstanding 160 shares | 16,000 | |
| Series E, issued and outstanding 50 shares | 5,000 | |
| Common stock, $.01 par value, authorized 15,000,000 shares issued and outstanding 14,997,757 and 13,227,496 shares | 150,000 | 132,000 |
| Additional paid-in capital | 21,357,000 | 17,941,000 |
| Accumulated deficit | (20,932,000) | (18,060,000) |
| | 653,000 | 50,000 |
| | $ 5,598,000 | $ 6,396,000 |

See notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

MEMRY CORPORATION AND SUBSIDIARIES
3 MONTHS ENDED MARCH 31, 1992 AND 1991
9 MONTHS ENDED MARCH 31, 1992 AND 1991

| | For Three Months Ended March 31, | |
|---|---|---|
| | 1992 Unaudited | 1991 Unaudited |
| REVENUES | $ 1,402,000 | $ 1,380,000 |
| COSTS AND EXPENSES | | |
| Manufacturing costs | 1,373,000 | 1,337,000 |
| Research and development costs | 100,000 | 235,000 |
| General, selling and administrative | 880,000 | 832,000 |
| Interest | 90,000 | 155,000 |
| | 2,441,000 | 2,559,000 |
| NET LOSS | (1,041,000) | (1,179,000) |
| Preferred dividends | 74,000 | |
| LOSS ATTRIBUTABLE TO COMMON SHARES | $(1,115,000) | $(1,179,000) |
| Net loss per common share | ($0.07) | ($0.11) |

| | For Nine Months Ended March 31, | |
|---|---|---|
| | 1992 Unaudited | 1991 Unaudited |
| REVENUES | $ 4,190,000 | $ 4,319,000 |
| COSTS AND EXPENSES | | |
| Manufacturing costs | 4,133,000 | 3,730,000 |
| Research and development costs | 306,000 | 635,000 |
| General, selling and administrative | 2,334,000 | 2,228,000 |
| Interest | 290,000 | 296,000 |
| | 7,063,000 | 6,889,000 |
| NET LOSS | (2,873,000) | (2,570,000) |
| Preferred dividends | 224,000 | 212,000 |
| LOSS ATTRIBUTABLE TO COMMON SHARES | $(3,097,000) | $(2,782,000) |
| Net loss per common share | ($0.22) | ($0.25) |

See notes to condensed consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW

MEMRY CORPORATION AND SUBSIDIARIES

| | For Nine Months Ended March 31, | |
|---|---|---|
| | 1992 Unaudited | 1991 Unaudited |
| **OPERATING ACTIVITIES** | | |
| Net loss | $(2,873,000) | $(2,570,000) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 458,000 | 446,000 |
| Change in operating assets and liabilities: | | |
| (Increase) decrease in accounts receivable | 63,000 | 132,000 |
| (Increase) decrease in inventories | (166,000) | (621,000) |
| (Increase) decrease in prepaid expenses and other | (88,000) | 35,000 |
| (Decrease) increase in accounts payable and accrued expenses | (1,251,000) | 236,000 |
| Other | 219,000 | 63,000 |
| CASH USED IN OPERATING ACTIVITIES | (3,638,000) | (2,279,000) |
| **INVESTING ACTIVITIES** | | |
| Purchases of property and equipment | (68,000) | (120,000) |
| CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | (68,000) | (120,000) |
| **FINANCING ACTIVITIES** | | |
| Proceeds from sales of Common Stock | 2,332,000 | |
| Proceeds from sales of Preferred Stock | 1,350,000 | |
| Loan Proceeds | 50,000 | 1,500,000 |
| Payments net of proceeds from capitalized lease obligations | 7,000 | (6,000) |
| Net proceeds from revolving line | (359,000) | 286,000 |
| Principal payments on long-term debt | (91,000) | (80,000) |
| Preferred dividends paid | | (318,000) |
| Other non-current liabilities | 36,000 | |
| CASH PROVIDED BY FINANCING ACTIVITIES | 3,325,000 | 1,382,000 |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (381,000) | (1,017,000) |
| Cash and cash equivalents at beginning year | 466,000 | 1,070,000 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | $ 85,000 | $ 53,000 |

See notes to condensed consolidated financial statements.

MEMRY CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE A--BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine month period ended March 31, 1992 are not necessarily indicative of the results that may be expected for the year ending June 30, 1992. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended June 30, 1991.

NOTE B--INVENTORY

The components of inventories consist of the following:

| | March 31, 1992 | June 30, 1991 |
|---|---|---|
| Raw materials and supplies | $ 367,000 | $ 341,000 |
| Work-in-process | 349,000 | 1,053,000 |
| Finished good | 1,428,000 | 584,000 |
| | 2,144,000 | 1,978,000 |
| Less non current work-in-process | (642,000) | (436,000) |
| | $1,502,000 | $1,542,000 |

In accordance with the Company's fiscal 1992 sales forecast, which has been adjusted to reflect the current conditions in the hotel and residential renovation and new construction industries, Ultravalve™ inventory of $642,000 and $436,000 is classified as non current inventory as of March 31, 1992 and June 30, 1991, respectively. The Ultravalve™ product line, an electronic valve and shower control device, was purchased by the Company in 1989. The balance of Ultravalve™ inventory (approximately $200,000) is included as a current asset at both March 31, 1992 and June 30, 1991.

NOTE C--NET LOSS PER COMMON SHARE

The net loss per common share is based on the net loss from operations plus Preferred Stock dividends. The weighted average number of shares of Common Stock outstanding were 14,251,556 and 14,984,208 for the nine and three month periods ending March 31, 1992. The weighted average number of shares was 11,149,110 for both the nine and three month periods ending March 31, 1991. Common Stock equivalents have been excluded from the computation of the net loss per common share based on their anti-dilutive effect.

NOTE D--WRIGHT MACHINE CORPORATION ACQUISITION

On February 6, 1990, the Company, through a wholly-owned subsidiary, acquired substantially all of the operating assets and assumed certain liabilities of Wright Machine Corporation, a privately held manufacturer of screw machine and taper pin products, for a total purchase price of approximately $3.3 million. The acquisition was accounted for as a purchase, and accordingly, the assets acquired and liabilities assumed were recorded at their estimated fair market values.

In connection with the acquisition of Wright Machine Corporation, Wright entered into a revolving loan, term loan and security agreement (the "Agreement") which is guaranteed by the Company. The Agreement includes a revolving loan, a mortgage and a term loan which accrue interest at prime plus 1% (7.5% as of March 31, 1992). The revolving loan is limited to the lesser of the sum of 80% of accounts receivable and 40% of inventories of Wright, less $250,000, or $2 million, and is secured by Wright's accounts receivable and inventories.

The term loan is collateralized by machinery and equipment and the mortgage loan is collateralized by land and building with net book values at March 31, 1992 of $166,000 and $807,000, respectively. The Agreement requires payments received on accounts receivable by Wright to be applied against the outstanding balances on the revolving and term loans, and therefore, cannot be transferred to the Company until such loans are paid. In addition, the Agreement prohibits Wright from paying dividends to the Company, and the Company from applying intercompany charges against Wright. The Agreement also requires the Company to maintain certain minimum cash balances, and Wright to meet various loan covenants as of March 31, 1992, including the maintenance of a minimum of $1.4 million of working capital, tangible net worth of at least $1.25 million and total debt to equity of 3.3 to 1.0. As of March 31, 1992, Wright was in full compliance with each of these loan covenants. As of June 30, 1991, Wright was in violation of the

then in effect covenants. On October 9, 1991, Wright received permanent waivers of these June 30, 1991 loan covenant violations. In connection therewith, the terms of the original loan agreement were amended to include revised covenants for the year ending June 30, 1992, to be met at the end of each quarter beginning on December 31, 1991. Trinity has provided the Company with a standby commitment to cover the minimum cash requirement to meet these covenants, if necessary.

NOTE E--CHRYSLER COMMON STOCK PURCHASE

On September 30, 1991, the Company sold 727,273 shares of its Common Stock to National Trust Company, Trustee for Chrysler Canada, Ltd. Pension Fund ("National") for $800,000. In connection with this transaction, the Company issued warrants to National to purchase up to 1,454,546 shares of the Company's Common Stock at $1.10 per share through August 3, 1994.

As a result of a stock placement made on November 6, 1991 to new and existing foreign investors, as further described in Note G, certain anti dilution provisions of the above transaction with National were effected. In accordance with these anti dilution provisions, National was issued an additional 272,727 shares of Memry Corporation Common Stock.

NOTE F--TRINITY PURCHASE OF SERIES C PREFERRED STOCK

On October 11, 1991, the Company and Trinity Capital Corporation ("Trinity") entered into a Securities Purchase Agreement (the "Agreement") providing for the acquisition by Trinity of 200 shares of Series C Preferred Stock and warrants to purchase 3,636,364 shares of its Common Stock at an exercise price of $0.74 per share. Simultaneously with the execution of the Securities Purchase Agreement, Trinity received 155 shares of Series C Preferred Stock and a Warrant to purchase 2,818,182 shares of Common Stock. $11,500 of a $1,150,000 capital contribution made by Trinity on June 28, 1991 was reclassified to preferred stock, representing the par value of 115 shares of Series C Preferred Stock. In addition, 40 shares of the Series C Preferred Stock were issued in exchange for the forgiveness of a $400,000 demand promissory note which was outstanding on October 11, 1991. On December 17, 1991 Trinity purchased the remaining 45 shares of Series C Preferred Stock and the remaining warrants to purchase 818,182 shares of Common Stock for $450,000. The 155 shares of Series C Preferred Stock were initially convertible into 1,409,091 shares of Common Stock and carry voting rights on an as-converted basis. Holders of the Series C Preferred Stock are not entitled to a preferred dividend, but are entitled to receive Common Stock dividends on an as-converted basis. As a result of a placement made on November 6, 1991 to new and existing foreign investors, certain anti dilution provisions of the Agreement were effected as further described in

NOTE G. In accordance with these anti dilution provisions, the 155 shares of Series C Preferred Stock will ultimately be convertible into 1,937,500 shares of Memry Common Stock. On April 14, 1992, pursuant to the automatic conversion provisions of the Series C Preferred Stock, all 200 shares of this Preferred C were converted into 2,500,000 shares of the Company's Common Stock.

NOTE G--FOREIGN COMMON STOCK PURCHASE

On November 6, 1991 the Company placed 2,072,625 units of its Common Stock and warrants to purchase Common Stock with certain existing and new foreign investors at $0.80 per unit, for a total purchase price of $1,658,100. Each unit consists of one share of the Company's Common Stock and a warrant to purchase two additional shares of the Company's Common Stock at $0.50 per share. The warrant is exercisable over the five-year period beginning December 15, 1992 and ending December 15, 1997. This transaction was arranged for the Company by American Equities Overseas, Inc., which has, in the past, handled foreign sales of the Company's securities. The Company paid American Equities Overseas a one time financing fee of 7% of the proceeds of the placement ($116,067) and issued warrants to purchase 435,251 shares of the Company's Common Stock at $0.50 per share, exercisable December 15, 1992 through December 15, 1997.

NOTE H-- TRINITY PURCHASE OF SERIES D PREFERRED STOCK

On November 6, 1991, The Company and Trinity entered into a Securities Exchange Agreement, pursuant to which Trinity exchanged 1,600,000 shares of the Company's Common Stock held by Trinity for 160 shares of the Company's Series D Preferred Stock. The Common Stock delivered by Trinity in exchange for the Series D Preferred Stock was retired by the Company. No other shares of Series D Preferred Stock are outstanding. The shares of Series D Preferred Stock are convertible into 1,600,000 shares of Common Stock, and can be voted on an as-converted basis. Holders of Series D Preferred Stock are entitled to a liquidation preference, but are not entitled to a preferred dividend. They are entitled to receive any dividends declared on the Common Stock, on an as-converted basis. On April 14, 1992, pursuant to the automatic conversion provision of the Series D Preferred Stock, all 160 shares of this Preferred D Stock were converted into 1,600,000 shares of the Company's Common Stock.

NOTE I-- MTC PURCHASE OF SERIES E PREFERRED STOCK

On March 30, 1992, the Company and Montreal Trust Company of Canada ("MTC"), on behalf of the Commonwealth Hospitality, Ltd. Pension Fund, entered into a Securities Purchase Agreement, pursuant to which MTC purchased 50 shares of the Company's Series E Preferred Stock for a purchase price of $500,000. No other shares of Series

E Preferred Stock are outstanding. Holders of Series E Preferred Stock are entitled to a liquidation preference, but are not entitled to a preferred dividend. They are entitled to receive any dividends declared on the Common Stock, on an as-converted basis. All of the Series E Preferred Stock was automatically converted into 1,000,000 shares of Common Stock of the Company on April 14, 1992.

NOTE J--CONTINGENCIES

Two class action lawsuits were filed against the Company and others in October 1986 relating to damages alleged to have occurred in connection with an alleged scheme to disseminate a series of press releases and other reports that falsely portrayed the Company's operating and financial condition. The lawsuits further allege that the defendants (the Company and members of former management) knew that such press releases and other reports were materially misleading and that the individual defendants took advantage of their claimed effect on the price of the Company's Common Stock by disposing of significant amounts of such stock. An additional class action lawsuit was filed against the Company and others in October 1986 alleging that the defendants (the Company and members of former management) issued press releases concerning the business of the Company from which they knowingly omitted material facts necessary to render the statements made therein not misleading. These three class action lawsuits, which were brought on behalf of all persons who purchased the Company's Common Stock between February 1986 and October 1986, were consolidated. On November 10, 1988, the Company and the plaintiffs filed a stipulation of settlement which was approved by the court on December 12, 1988 and resulted in the dismissal of all of the plaintiffs' claims against the Company. The terms of the settlement called for the payment of $60,000 to the plaintiffs, and the issuance of 500,000 shares of the Company's Common Stock for distribution to the plaintiffs. At the time of the settlement, the value of the shares issued had a quoted market price of $0.75 per share.

In February 1987, two members of former management named as defendants in the class action lawsuits filed answers which contained cross-claims against the Company. The cross-claims seek indemnification pursuant to the Company's by-laws and the Delaware corporation law on the grounds that they were directors and officers of the Company at the time the activities complained of in the complaint were alleged to have taken place. The Company has denied the material allegations of the cross-claims and filed cross-claims against the members of former management seeking indemnification and contribution based on their alleged unauthorized acts as officers and directors of the Company and upon their breach of their fiduciary duty of due care and good faith to the Company. In March 1989, one of the members of former management agreed to a settlement with the plaintiffs and as part

of that settlement, agreed to release all claims against the Company. The other member of former management has not agreed to a settlement with the Company. The ultimate outcome of this claim cannot be determined at this time.

On January 4, 1989, the Company was served with a third party complaint by a securities broker (the "broker") who is the defendant in a class action suit. The plaintiffs in the class action suit allege losses arising from the acts or omissions of the broker and its employees which purportedly affected the price of the Company's stock. The broker sought contribution or indemnification from the Company. A judgment of dismissal of the third party action was entered on December 8, 1989. On March 14, 1990, a stipulation was entered which provided that the broker may appeal the dismissal of its third party action against the Company at the conclusion of the underlying case provided the broker files a timely appeal.

With respect to other claims and actions against the Company, it is the opinion of management that they will not have a material adverse effect on the financial position of the Company.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is management's discussion and analysis of certain significant factors which have affected the Company's financial position and operating results.

(a) Liquidity and Capital Resources

In the first nine months of Fiscal 1992 the Company continued to rely on outside sources to fund the difference between cash flow from operations and expenditure levels for research, product development, manufacturing and new product introductions.

The Company has continued with its activities in spite of limited funds from operations in anticipation of continued funding from existing and/or new investors. During the first nine months of Fiscal 1992, the Company has concluded five transactions with existing and new investors.

On September 30, 1991, National Trust Company, trustee for Chrysler Canada, Ltd. Pension Fund, purchased, for $800,000, 1,000,000 shares of the Company's Common Stock and a warrant to purchase 1,454,546 shares of the Company's Common Stock at $1.10 per share.

In the last Fiscal quarter of 1991, Trinity Capital Corporation, a major equity investor in the Company, provided short-term loans to the Company totalling $1,150,000. On June 28, 1991, Trinity made a $1,150,000 capital contribution to the Company, to be later designated Series C Preferred Stock. The proceeds of the capital contribution were used to retire the short term loan. On October 11, 1991, Trinity agreed to purchase additional shares of Series C Preferred Stock for a purchase price of $850,000. Of this $850,000, $400,000 was used to retire short term notes that Trinity had extended to the Company from June 30, 1991 through October 11, 1991. The balance of the purchase price ($450,000) was paid, and the corresponding securities issued on December 17, 1991.

Trinity agreed to the deferral of all preferred stock dividends accruing after July 1, 1991 until the Company is in a positive cash flow position. In the first nine months of Fiscal 1992, the amount of such deferred but accrued dividends is $224,400 and is included in Other Non Current Liabilities at March 31, 1992.

On November 6, 1991 the Company placed 2,072,625 units of its Common Stock and warrants to purchase Common Stock with certain existing and new foreign investors at $0.80 per unit, for a total purchase price of $1,658,100. Each unit consists of one share of

the Company's Common Stock and a warrant to purchase two additional shares of the Company's Common Stock at $0.50 per share. The warrant is exercisable over the five year period beginning December 15, 1992 and ending December 15, 1997. This transaction was arranged for the Company by American Equities Overseas, Inc., which has, in the past, handled foreign sales of the Company's securities. The Company paid American Equities Overseas a one time financing fee of 7% of the proceeds of the placement ($116,067) and issued warrants to purchase 435,251 shares of the Company's Common Stock at $0.50 per share, exercisable from December 15, 1992 through December 15, 1997.

On March 30, 1992, Montreal Trust Company of Canada, on behalf of the Commonwealth Hospitality, Ltd. Pension Fund purchased 50 shares of the Company's Series E Preferred Stock for a purchase price of $500,000.

The Company had its Annual Meeting on April 7, 1992. At this meeting the Company's shareholders authorized an increase in common stock from 15,000,000 to 50,000,000 shares. As a result of this, on April 14, 1992 all the outstanding shares of Series C, D and E Preferred Stock were converted into 5,100,000 shares of Common Stock of the Company.

As of March 12, 1992, Connecticut Innovations, Incorporated ("CII") entered into a Development Agreement with the Company in which CII agreed to provide up to $750,000 in partial reimbursement of expenses associated with developing the Company's Firechek™ line of safety valves. CII will receive royalties of 6.5% of sales of Firechek™ valves until it has received a total of five times the funds provided by CII, and a royalty of 0.5% of such sales thereafter for a period equal in duration to the period during which the 6.5% royalty was in effect. In addition, the Company issued to CII a warrant to purchase 100,000 shares of the Company's Common Stock at an exercise price of $1.00 per share, exercisable for 10 years.

Currently, management believes it will be successful in securing commitments sufficient to support fiscal 1992 operations. However, there can be no guarantee that existing investors will continue to support the Company or that new investors can be found.

Further, the Company is negotiating to get new or increased capital. The Company intends to use any new funds, if received, for working capital, research and new product introductions. Funding in this manner is generally expected to dilute earnings for existing shareholders.

If the Company is unable to raise additional capital sufficient to continue its current operations, management believes certain assets and technologies could be sold and has identified cost cutting

measures affecting administrative, research, and manufacturing departments and would consolidate all Company operations at the Company-owned manufacturing facilities in Worcester, Massachusetts. Management believes these reductions in operating overhead should be sufficient to allow the Company to continue its businesses without additional capital infusion, albeit at a reduced level of operation.

The Company continues to examine possible acquisition candidates that meet the criteria of consistent revenue and profit histories and that are able to obtain financing on a stand-alone basis.

(b) Results of Operations

Product sales and product development contract revenues decreased to $4,190,000 for the nine months ended March 31, 1992 as compared to $4,319,000 in the same period for the prior year. For the quarter ended March 31, 1992, revenues were $1,402,000 or $22,000 higher than the third quarter of 1991.

Revenues from Wright Machine Corporation ("Wright"), the Company's wholly owned manufacturer of screw machine and taper pin products, were $3,763,000 during the first nine months of Fiscal 1992 as compared to $3,851,000 for the same period last Fiscal year. While the current U.S. economic recession continues to negatively impact Wright's sales compared to prior years the effect has been minimized by an aggressive sales/marketing campaign that has replaced existing customers reduced orders with new customers for Wright's services. The remainder of the revenue was generated in Memry Technologies, Inc. ("Technologies"), the company's wholly owned subsidiary engaged in research and product development, and Memry Plumbing Products Corp. ("Plumbing"), the Company's wholly owned subsidiary engaged in marketing of the Ultravalve™ and Memrysafe™ product lines. The reduction in sales from these non-Wright activities (from $468,000 in the first nine months of Fiscal 1991 to $427,000 for the same period in Fiscal 1992) have been more severely impacted by the recessionary effect on the commercial, residential and hospitality construction industries, all being key markets for the Company's products.

During the first nine months of fiscal 1992 ended March 31, 1991, approximately 92% of the Company's revenues were from product sales by Wright and Plumbing, which operate in competitive markets with many other manufacturers and product alternatives. Their customers have been severely affected by the current recession. Research and development contracts from the U.S. Government are approximately 8% of revenues. The Company continues to actively solicit customer-sponsored product development and government research contracts to increase revenues, and currently has several outstanding research proposals.

Manufacturing costs were $4,133,000, for the nine months ended March 31, 1992 and $3,730,000 for the nine months ended March 31, 1991. Of the $403,000 in year to date variance, $363,000, or almost all of the difference occurred in the second quarter and is due to the effect of increased revenue in the second quarter of fiscal 1992 over the same period in 1991 and the fact that fixed costs could not be reduced at a commensurate rate with revenue reductions, resulting in a negative impact on gross margins for the nine month period. In spite of the weak economy, Wright machine Corporation has raised its rates somewhat in the third quarter. Some impact in margins have been noted, however, it will take approximately six months to completely work off the backlog at the older, lower rates.

Research and Development costs decreased to $306,000 for the nine months ended March 31, 1992, as compared with $635,000 for the prior year. These costs declined due to the completion or postponement of additional work on a number of internal and commercial R & D projects.

General, Selling, and Administrative ("SG&A") expenses were about the same during the nine month period ended March 31, 1992 ($2,334,000) as the same period for the prior year ($2,228,000). While overall cost cutting measures, taken as the economic recession has lengthened, have reduced most SG&A expense categories, certain legal and accounting fees have increased due to the recent level of financing activity and in preparation for the Company's annual shareholders meeting.

The Company has outstanding orders as of May 3, 1992 of approximately $1.8 million: approximately $195 thousand for Technologies for mostly United States government sponsored research and product development programs and $1,573 thousand for products from Wright. In view of normal business risks, there can be no complete assurance that the total amount of these revenues will be realized.

## PART II - OTHER INFORMATION

**Item 6. Exhibits and Reports on Form 8-K.**

(a) Exhibits

No exhibits are filed as part of this Quarterly Report on Form 10-Q.

(b) Reports on Form 8-K

1. On March 30, 1992, the Company filed a Current Report on Form 8-K with respect to the following item:

Item 5:
On March 12, 1992, the registrant and Connecticut Innovations, Incorporated ("CII") entered into a Development Agreement pursuant to which CII agreed to provide up to $750,000 in partial reimbursement of expenses associated with developing the registrant's Firechek™ line of safety valves. CII will receive royalties of 6.5% of sales of Firechek™ valves until it has received a total of five times the funds provided by CII, and a royalty of 0.5% of such sales thereafter for a period equal in duration to the period during which the 6.5% royalty was in effect. In addition, the registrant issued to CII a warrant to purchase 100,000 shares of the Company's Common Stock at an exercise price of $1.00 per share, exercisable for 10 years.

2. On April 9, 1992, the Company filed a Current Report on Form 8-K with respect to the following item:

Item 5:
On March 30, 1992, the Company and Montreal Trust Company of Canada ("MTC"), on behalf of the Commonwealth Hospitality, Ltd. Pension Fund, entered

into a Securities Purchase Agreement, pursuant to which MTC purchased 50 shares of the Company's Series E Preferred Stock for a purchase price of $500,000. No other shares of Series E Preferred Stock are outstanding. The shares of Series E Preferred Stock are convertible into 1,000,000 shares of Common Stock, and can be voted on an as-converted basis. Holders of Series E Preferred Stock are entitled to a liquidation preference, but are not entitled to a preferred dividend. They are entitled to receive any dividends declared on the Common Stock, on an as-converted basis.

All of the Series E Preferred Stock will be automatically converted into Common Stock as soon as the Company has a sufficient number of authorized shares of Common Stock to permit such conversion and the exercise of certain of the rights to acquire Common Stock.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Memry Corporation

Date: May 10, 1992

James G. Binch
President

Date: May 10, 1992

Edward R. Bernice
Chief Financial Officer